THE FINAL REPORT

WORKFORCE TASK FORCE

AUGUST 31, 1994

COMMISSION ON MANAGEMENT AND PRODUCTIVITY

Workforce Task Force

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Executive Summary

Background

The Commission on Management and Productivity was convened by Governor Carnahan in February 1994 to conduct a major review of state government, evaluate its strengths and weaknesses, and prescribe reform. This has been a collaborative effort between the executive branch, legislative branch, and the private sector to analyze issues and develop solutions for improving management and enhancing customer service in Missouri state government. Six task forces developed recommendations and implementation strategies on the following issue areas: fiscal policy, workforce, efficient operations, management improvement and customer service, automation, and strategic planning.

The Workforce Task Force was charged with the mission to "develop strategies to recruit, motivate, train, utilize, and retain state personnel to promote a high performance workforce, with emphasis on compensation, benefit and recognition strategies." During the course of their work, the task force collected and analyzed data, conducted interviews and focus groups, and surveyed state employees. This report details the results of their analysis and evaluation and their recommendations on workforce issues.

Recommendations

The first topic the task force considered focused on an approach to employee salary and benefits that encourages planning, appropriation, administration, and communication in terms of total compensation.

1 ***Develop and adopt a total compensation policy that recognizes the State's role as the largest employer in the State, committing itself to specific, articulated goals of internal equity and external competitiveness for both salary and benefits.***

The State's compensation environment is extremely fragmented with no unified philosophy or approach to the total value of all elements of employee compensation. Decisions regarding compensation are based on financial or political considerations, rather than the utilization of human resources. By adopting a total compensation policy and committing to the achievement of its goals, the State will have a guidepost for decisions relating to salary increases and benefit changes. The task force recommends the establishment of goals which specify the State's position in the competitive labor market and the balance between salaries and fringe benefits. In addition, it is recommended the policy demonstrate commitment to: use some portion of increases in general revenue to help fund employee increases; link salary to experience and performance; and maintain fair differentiation between jobs requiring different levels of skill and experience.

2 ***Establish a limited-term commission to ensure a total comprehensive approach to state employee salary and benefits and to monitor the implementation of this Task Force's recommendations.***

The task force identified the need to reduce politicization and increase communication of the issues surrounding employee benefits and salaries and their impact on the productivity of state government. This would require cooperation among the different departments of the executive branch, employee groups, several commissions, and the General Assembly. A commission composed of those interested parties is proposed as a mechanism to achieve these goals. In addition, the implementation of this process will require a long-term approach.

3 ***Explore the feasibility of a broad-cafeteria-style, flexible benefits program for employees in all agencies of the State.***

The State could better allocate resources and provide greater value by allowing employees to design their own packages in concert with their needs. This reduces the competition between plans and agencies and gives a basis for budgeting compensation. Under this type of program the State would provide a set of benefits of approximately equal cost to each employee, but customized to meet their individual needs. The task force recommends a minimum benefit level to assure basic health insurance and other protection deemed essential, but beyond that, options may exist in life insurance, vacation, dental care, vision care, disability insurance, deferred compensation, and other services/benefits desired by employees.

4 ***Develop annually, beginning with the FY96 state budget, a single appropriation request that encompasses the state contribution for medical and retirement benefits for all state employees.***

The current appropriations process related to medical and retirement benefits are spread throughout a variety of appropriation sections. This does not provide for a comprehensive review of the cost of medical and retirement benefits to state employees nor the impact of proposed changes. A single appropriation will focus attention on the cost of providing benefits thereby initiating discussions on the associated cost of each of the separate plans.

5 ***Produce an annual personalized consolidated statement for each employee with individual benefit costs and values.***

Although state employee salaries lag behind private sector salaries, benefits are, for the most part, very competitive. A personalized statement to employees would increase awareness of the value of those benefits to their compensation package. The personalized statement should be developed in conjunction with the flexible benefits program.

The second topic the task force considered focused on the examination of State employee salary systems in terms of overall philosophy, internal equity, external competitiveness, and cost effectiveness.

6 ***Establish a mid-point-based salary administration system that rewards employees for successful experience on the job until they reach the midpoint (market benchmark value) of the appropriate grade, and then rewards employees at or above the midpoint for work that exceeds performance expectations or for outstanding performance.***

Lack of consistency in funding salary increases results in the following problems. First, salary range midpoint for many state jobs lags far behind market competition and almost three-quarters of the workforce are below midpoint, creating recruitment and retention problems. Second, salary increases granted in one pay system may or may not be granted in another, resulting in internal inequity. Third, failure to pay any increase in some years, payment of fixed dollar amounts at other times, and failure to generate within-grade increases result in compression of salaries. Finally, the failure to recognize employees with monetary increases creates a perception that performance does not matter and that advancement is unlikely in state employment.

To address these issues, the task force recommends the following compensation adjustments to be funded each year. Adjust the entire salary classification grid and, therefore, the pay of all employees to begin addressing the competitive gap. Gradually advance all employees with successful or better performance to the midpoint of the appropriate salary classification range. Provide a one-step performance-based increase for employees currently at or above the midpoint, whose work exceeds performance expectations or whose work is outstanding to address the compression problem and reward exceptional performance. Reposition salary ranges of certain jobs to address unusually serious market dislocation and maintain external equity.

7 ***Establish a cross-agency group to examine the elimination of within-grade steps and the modification of the current grid structure.***

The current compensation structure creates a situation where it is cheaper and easier for legislators to approve across-the-board increases and no within-grade adjustment. The task force recommends an inter-agency group to study the elimination of within-grade steps and the modification of the current grid structure. The proposals could be implemented through a pilot program to evaluate their potential for improving compensation policy and procedures.

The third topic focused on the examination of health care programs for state employees, in terms of overall philosophy, equity of programs, cost effectiveness, and value to the State.

8 ***Review and modify existing health benefit plans, measured against a set of common principles and policies of managed care that would apply to all plans.***

There are four different health plans covering employees in the executive branch. Benefits, deductibles and co-payment, out-of-pocket maximums, and premium levels differ somewhat among plans. Managed care practices in these plans would restrain cost for the state as well as provide excellent care for employees. The task force recommends the State contract for a study to assess these plans and make specific recommendations for implementation of various managed care practices.

9 ***Adopt a common philosophy for the State's contribution to employee health premiums under all plans.***

The State contributes different amounts to employee health programs in the many different plans. Establishing a common contribution level will reduce some inequities and focus attention on the differences in the value of competing plans. The task force recommends an 80% State and 20% employee cost share ratio, requiring each employee, even for "Employee Only" coverage, to pay a portion of the premium.

10 ***Maximize participation by employees in the Section 125 Flexible Spending Account for health care benefits.***

Currently, employees may reduce their pretax dollars by enrolling in the state cafeteria plan. Not all employees who have medical benefit payments taken from their payrolls avail themselves of this benefit. By enrolling all state employees for participation in the Section 125 Flexible Spending Account, except for those electing to waive participation, the total dollars available to state employees for spending will increase and the state's contribution to social security will decrease.

The fourth topic focused on examination of retirement programs for state employees, in terms of overall philosophy, equity of programs, cost effectiveness, and value to the State.

11 ***Develop and implement a common philosophy and policy statement for all State employee retirement plans that establishes targets for replacement of gross income at retirement.***

There are 112 separate retirement plans for public employees. Within the three major state plans there exists wide variation in the contribution level the State pays as a percent of payroll. Retirement benefit formulae vary in terms of years of service multipliers, calculation of final average salary, normal and early retirements, and benefit options. The task force recommends 75% replacement at age 65 and 30 years of service through a combination of defined benefit, social security and defined contribution programs. Such targets give a basis for equitable decision making within the plans and help employees understand, take ownership of and plan for their own retirement needs.

12 ***For future vesting employees, replace yearly automatic cost of living increases in retirement benefits with annual review and examination of alternatives for making inflation adjustments.***

The current minimum 4% annual increase provided to retirees was legislated during a period when there was double-digit inflation. In recent years inflation has been substantially less and, as a result, the minimum 4% has exceeded cost of living increases and far exceeded the increases active employees receive. The task force proposed elimination of the automatic increases for future vesting employees. Instead an annual review should be made and recommendations made at that time concerning increases, if appropriate.

13 ***Eliminate retroactivity features when retirement legislation is enacted.***

Legislated benefit formula increases are retroactively applied to service time for current and retired employees. The resulting increased benefit for retirees may well overcompensate them for lost buying power since the benefit formulae improvements are designed to assure active employees of an adequate retirement benefit. The task force recommends discontinuing this expensive and administratively burdensome practice when all retirees' benefits are recalculated.

14 ***Develop and require collaboration by MOSERS, HEHPRS, University of Missouri, PSRS and the LAGERS for the funding, administration, investment management and purchase of services for these systems.***

Numerous retirement systems exist which results in inefficiencies and costs to the State. Collaboration among retirement system directors on funding and investment philosophy, development of investment structure and administrative systems and for the purchase of service providers can enhance the financial status and investment returns net of expenses of these plans.

15 ***Establish minimum investment expertise requirements for individuals acting in executive director and assistant executive director capacity with State retirement systems and in a portion of Board members.***

Minimum educational and experience guidelines combined with a recognition that highly trained professionals in the areas of investment and financial management or retirement systems can lead to improved financial outcomes. Recognition that these highly trained finance professionals need to be paid accordingly and competitively for recruitment and retention will also enhance future performance.

The fifth topic focused on improved systems of pay-for-performance in State government.

16 ***Establish a Performance Appraisal System that incorporates agency goals, including customer satisfaction, diversity, management/supervisory leadership, professional and personal development.***

Task force findings indicate the performance appraisal process lacks credibility because the ratings are based on subjective data and typically inflated. The process could become meaningful by including measurable performance objectives and standards for each rating category. The task force recommends that appropriate employees be held accountable for customer satisfaction, diversity, management/supervisory leadership and effectiveness, agency goals and other work objectives. Benefits include the potential for higher standards and performance, a more objective appraisal process and ratings more indicative of actual performance. Decision for pay increases can be based on measurable objectives and performance, provided funds are appropriated for this purpose.

The sixth topic focused on the development of philosophies and strategies to effectively employ, at all levels of its workforce, both genders and the full range of ethnic groups as reflected in the population of the State.

17 ***Include a recruitment strategy as part of each state agency's active affirmative action plan.***

A recruitment strategy should be implemented to increase the number of people of color and females at all levels of the workforce and reflect the composition of the State's population.

18 ***Analyze the merit selection and hiring process to determine if there are biases, exclusionary practices or preferential treatment. Validate screening, interviewing and testing procedures.***

Removal of discriminatory, exclusionary or preferential practices will assist the state in achieving a more diverse workforce.

19 ***Ensure widespread use of the job posting system to notify employees of promotional opportunities.***

Hiring from within boosts morale and improves management/employee relationships. Opportunities for upward mobility for minorities and people of color should be improved by publication of job postings. This will aid in retaining qualified employees.

20 ***Mandate effective diversity training for all state employees, beginning with management.***

Diversity training will assist all personnel in appreciating and valuing individual differences; thus, creating a more positive work environment. Exposure to concepts that aid in accepting and valuing the differences of a multicultured workforce can help eliminate stereotypical thinking, hostility and apprehension of the unknown.

21 ***Include accountability for meeting departmental affirmative action goals in each supervisor's and manager's performance appraisal. Include accountability for recruitment of minorities and females in each recruiter's performance appraisal.***

Managers and recruiters should be held accountable for their performance in EEO/AA. Benefits would include: diversity of viewpoints potentially contributing to the quality of work; state government becoming a role model for other institutions within the state; a work climate reflecting the population in the external environment; the skills and talents of all people being utilized; greater success in retaining the current diverse workforce and in recruiting other minorities.

22 ***Develop an annual report format to report the results of each Department Director's performance, in meeting affirmative action plan goals.***

Merely requiring Department Directors to establish affirmative action plans without executive review is not sufficient to ensure that those departments will make progress in accordance with those plans. If each Department Director's performance is subject to review by the Governor and the OA Commissioner, there is a greater likelihood that the Department Directors will make best efforts to monitor and enforce the plans.

23 ***Ensure that the State EEO Office has sufficient resources to successfully fulfill the responsibilities of that office, including staff, software, resource materials and space.***

Implementation of this recommendation will provide the necessary resources to effectively comply with the Governor's Executive Order 94-03 and indicate the degree to which the Governor's Administration supports affirmative action and diversity as an integral part of the state's vision.

Final Report
Workforce Issues Task Force

Topic One

The establishment of an approach to employee salary and benefits that encourages planning, appropriation, administration, and communication in terms of Total Compensation.

Recommendation #1
Develop and adopt a total compensation policy that recognizes the State's role as the largest employer in the state, committing itself to specific, articulated goals of internal equity and external competitiveness for both salary and benefits.

Recommendation #2
Establish a limited-term commission to ensure a total comprehensive approach to state employee salary and benefits and to monitor the implementation of this Task Force's recommendations.

Recommendation #3
Explore the feasibility of a broad cafeteria-style, flexible benefits program for employees in all agencies of the State.

Recommendation #4
Develop annually, beginning with FY96 state budget, a single appropriation request that encompasses the state contribution for medical and retirement benefits for all state employees.

Recommendation #5
Produce an annual personalized consolidated statement for each employee with individual benefit costs and values.

Recommendation #1
Develop and adopt a total compensation policy that recognizes the State's role as the largest employer in the state, committing itself to specific, articulated goals of internal equity and external competitiveness for both salary and benefits.

Background
The State's employee compensation environment is extremely fragmented. A myriad of boards, commissions, agencies, and legislative bodies claim authority over pieces of the salary and benefit programs. As such, there is no unified philosophy or approach that recognizes and capitalizes upon the total value of all the elements of employee compensation. Additionally, the legislature, which has funding responsibility for the salaries and benefits, seems to view these elements as financial and political issues, not human resource utilization ones. Therefore, pay ranges for state employees currently lag the competitive labor market by an average of 15-20%, according to Division of Personnel salary surveys. Flat dollar increases, although politically easy, disrupt the relative differentiation in salaries between jobs requiring differing levels of skill and experience. Benefits are not viewed as part of the total compensation of employees and there is constant pressure to make all programs look the same, regardless of individual employee or agency need.

Rationale
By adopting a total compensation policy and committing to the achievement of its goals, the State will have a guidepost for decisions relating to salary increases and benefit changes. Employees will know that the State is committed to the employer-employee relationship and that they are valued and vital to the mission of the State.

To achieve these things, the policy should include several elements:

1. Statement of goal about the State's position in the competitive labor market. The task force recommends that the State aim for ranges that are 90-95% of the median for private sector jobs.

2. Statement of goal about the balance between salaries and fringe benefits. The lower the salaries are, the higher the proportion represented by benefits will be. This number should be compared to the competitive market.

3. Commitment to use some portion of increases in general revenue to help fund employee increases. Current practice gives the impression that employees come last in all budgetary considerations. Since the work of the State is accomplished by those employees, payment for that labor should be planned appropriately.

4. Commitment to the links between experience, performance and salary. Up to a point, employees with longer service can reasonably expect to be earning more than those with shorter service and equal performance. Likewise, employees who

are clearly contributing more can reasonably expect to earn more than those who are contributing less. This requires both the willingness of the legislature to fund increases based on experience and performance and the commitment by state management to define, communicate, demand, and recognize stretch performance levels among employees.

5. Commitment to maintaining fair differentiation between jobs requiring different levels of skill and experience. If the State is to assure it has the leadership it needs, it must make clear that that leadership is valued. Evidence of this commitment would be seen by the elimination of flat dollar increases, which provide a greater percentage increase to jobs requiring less skill and experience than to those requiring more.

Implementation

1. State statutes already provide the basis for establishing this philosophy. There are no statutory restrictions on pay-for-performance or a well-ordered job evaluation system. The law also speaks to considering market considerations when considering raises for state employees.

2. The development and communication of the policy would logically be a responsibility of the Commission in recommendation #2. If such a commission is not approved, the Personnel Advisory Board or the Personnel Management Council are alternatives. Once established and endorsed by the governor, the policy should accompany all requests for appropriations for salary increases and benefit changes, and the requesting body should explain how the request is supported by the policy.

3. If the Commission is approved, the development and adoption of this policy would be one of its first assignments. If not, then the alternative body should complete the work by year-end.

Recommendation #2

Establish a limited-term commission to ensure a total comprehensive approach to state employee salary and benefits and to monitor the implementation of this Task Force's recommendations.

Rationale

The proposals made by this task force require reduced politicization and increased communication of the issues surrounding employee benefits and salaries and their impact on the productivity of state government. They will take cooperation among the different departments of the executive branch, employee groups, several commissions, and the General Assembly. A commission composed of those interested parties is the preferred (perhaps only) mechanism to ensure that these things happen.

<u>Composition of Commission</u>

The composition of the commission should be seven to nine members. Recommendations for membership of the commission include the following: Director, Division of Personnel of the Office of Administration, a representative of the Personnel Advisory Board; one union representative; the chairperson of the House Budget Committee; the chairperson of the Senate Appropriations Committee; and a member from private industry.

It is recommended that the representatives from the private sector and union be individuals with a background in personnel, particularly salary and benefit administration. It is further recommended that state government representation include a balance of merit system and non-merit system, including those not covered by the Uniform Pay and Classification statute.

<u>Terms of Commission</u>

The commission should be established for a period of three to five years. It is important that the commission have a clearly articulated sunset provision. The three- to five-year term would allow for a phased-in approach to addressing the issues of state employee salary remuneration and benefit packages. This multi-year approach establishes a reasonable timeline in which to accomplish the task at hand. The recommended life of the commission is within the allowable statutory term of the setting governor. This transitional time frame is important in resolving the issues of salary and benefit administration for state employees because it highlights the governor's commitment to addressing these very important issues over the course of three to five years. At the end of that sunset period, if there is a need, the administration could, of course, consider continuing the mission of the commission under that or some other existing body.

<u>Reporting Structure of Commission</u>

The commission should report directly to a member of the governor's staff. Certainly, the Office of Administration should play a key role in implementing the recommendation of COMAP, but they should not be targeted as the state agency seeking funding and legislative approval for recommendations. This puts the Office of Administration at a

distinct disadvantage in seeking other budgetary items that may be necessary to support the operations that they are required to carry out on a day-to-day basis.

Fiscal Authority

The strength of the commission on state employees' salaries and benefits will be totally dependent upon its ability to marshal the necessary financial resources to fund the recommendations they forward to the governor's office. While these recommendations will clearly affect all funding sources in Missouri State Government, the key to having the recommendations of the commission implemented will be obtaining a commitment of general revenue funding.

To strengthen the recommendations of the commission, the Governor should commit a predetermined percentage of new general revenue growth to these issues. Prior administration of state employee salaries and benefits should be viewed as a mandate necessary to maintain a highly professional and motivated work force.

Staffing of Commission

It will be the commission's responsibility to make recommendations to the Governor within the available funding sources that will balance the salary and benefit components. In order to accomplish the staff work necessary to develop this comprehensive approach, staff will need to be assigned to the commission on a permanent basis. These staff should be new staff and not staff assigned from the Office of Administration or the other executive departments.

Implementation

The funding of the commission staff should be accomplished immediately in FY95. Each year, the Governor is allowed to retain 3% general revenue reserve on all general revenue appropriations. Typically in the past, this reserve has not been released to the state agencies. Therefore, most state agencies will anticipate a 97% expenditure level. By releasing a small percentage of the 3% general revenue reserve, there should be sufficient appropriation authority to implement, not only the recommendations of the Workforce Task Force, but also other high impact recommendations from the other task forces in state government.

This approach offers the Governor's Office the opportunity to reflect his commitment to COMAP activity by allocating available reserves rather than requiring departments to undertake core operating reductions to implement the recommendations. Clearly the continued funding of these activities would have to be requested in the FY96 budget.

Recommendation #3

Explore the feasibility of a broad cafeteria-style, flexible benefits program for employees in all agencies of the State.

Background

Currently, most employees within an agency have an identical set of benefits, with the possible exception of the choice of one or two health plans and those benefits that increase with tenure and/or salary.

Rationale

Members of a 60,000-person workforce cannot be expected to have the same needs or value the same benefits. The State could better allocate resources and provide greater value to all employees to design their own packages in concert with their needs. This would reduce the competition between plans and agencies and give the state a basis for budgeting compensation. Under this type of program the State would provide a set of benefits of approximately equal cost to each employee but each set of benefits would be customized to meet their individual needs.

Allowing employees to create benefit packages that meet their needs increases their perception of the value of the benefits. A minimum benefit level would be established to assure that employees have basic health insurance and other protection deemed essential, but beyond that, options may exist in life insurance, vacation, dental care, vision care, disability insurance, deferred compensation, and other services/benefits desired by employees.

Implementation

Some legislative action may be necessary to the extent benefits offered are now established in legislation. Otherwise administrative action would be required to establish the array of benefits available, minimum benefit levels for each employee, and cost parameters for the program.

The intent of the program is to offer choices in benefits without additional costs to the State. While some start-up and administrative costs will be incurred, the flexible benefit program allows the State to better manage the total benefit costs for its employees. The Division of Personnel should be responsible for implementing this recommendation, including conducting employee surveys and focus group meetings, developing the benefits array resulting from employee responses, designing the program and contracting with vendors for services not available in-house. Implementation should occur in FY96.

Recommendation #4

Develop annually, beginning with FY96 state budget, a single appropriation request that encompasses the state contribution for medical and retirement benefits for all state employees.

Background

The current state appropriation process related to medical benefits and retirement benefits for state employees are spread through a variety of appropriation sections. This process does not provide for a comprehensive review of the cost of the medical and retirement benefits to state employees. As a result, the executive and legislative branches of state government often do not get a full picture of the impact to the state of these programs and changes in them.

Rationale

Isolating the medical and retirement benefits in a single appropriation will provide the executive and legislative branches with a comprehensive view of the cost to the state of Missouri for providing medical and retirement benefits to state employees. A single appropriation will focus the appropriation policy-makers' attention on the cost of providing these benefits thereby initiating discussions on the associated cost of each of the separate plans.

Implementation

The financial information to develop an FY96 budget decision item is readily available. Developing a narrative that clearly delineates the differences in the respective systems will be necessary in order to provide the information in a succinct format.

The approach being offered is similar to one used for rents that was developed in the FY95 budget process. The template used in the FY95 budget decision item for rent could be used in preparing the FY96 budget decision item for the benefit decision item. It is clearly a long term benefit to the state to undertake this activity, particularly if Recommendations 2, 8, 9, and 10 submitted by the Work Force Task Force are implemented.

By establishing philosophical guidelines and targets for benefits and costs, the executive and legislative branches will be able to determine the appropriate amount of funding for each of the benefits. Having benefit targets also provides the appropriate decision makers with information that will allow them to address medical and retirement benefits across the board and fend off "special interest groups" attempts to develop unique benefits for a limited group of state employees. When the target numbers have been reached in either the medical or retirement benefit, the financial resources can be redirected to other areas of state government, particularly employee compensation.

Typically, a decision item such as that being proffered in this recommendation would be the responsibility of the Office of Administration to develop and defend. While that option is still available, we would recommend that the Commission on State Employee Salaries & Benefits (Recommendation #2) make the budget presentation.

The successful implementation of this recommendation will require coordination with the Office of Administration budget office and House and Senate budget and appropriation chairperson as well as subcommittee chairpersons. Having the key players who are involved in the state budget process as part of the development and implementation of this proposal will ensure a clearer understanding of the benefits and cost associated with medical and retirement benefits.

Recommendation #5

Produce an annual personalized consolidated statement for each employee with individual benefit costs and values.

Background

Most employees do not know fully or appreciate the added compensation that they receive from their benefit packages.

Rationale

Although state employee salaries are below private sector salaries, their benefits are, for the most part, very competitive. A personalized statement to employees would increase their awareness of the value of those benefits and reduce the issue of salaries.

Implementation

1. This project should be developed together with the Flexible Benefits Program (Recommendation 3). If programs will be changing in FY96 with the introduction of a flex benefit plan, there is no value in spending the resources to develop a benefit statement for the old program.

2. A thorough examination of costs, including a make-or-buy analysis must be completed by the group tasked at looking at this (OA staff).

Topic Two

The examination of State employee salary systems in terms of overall philosophy, internal equity, external competitiveness, and cost effectiveness.

Recommendation #6

Establish a midpoint-based salary administration system that rewards employees for successful experience on the job until they reach the midpoint (market benchmark value) of the appropriate grade, and then rewards employees at or above the midpoint for work that Exceeds Performance Expectations or for Outstanding Performance.

Recommendation #7

Establish a cross-agency group to examine two specific compensation issues:

1. The elimination of within-grade steps and, if appropriate, the development of a work plan for implementation of such a system in a **pilot** group.

2. The modification to the current grid structure to address the variance in competitiveness of salaries among job groups.

Recommendation #6

Establish a midpoint-based salary administration system that rewards employees for successful experience on the job until they reach the midpoint (market benchmark value) of the appropriate grade, and then rewards employees at or above the midpoint for work that Exceeds Performance Expectations or for Outstanding Performance.

Background

The State of Missouri has at least four different compensation systems for its employees. The Uniform Classification and Pay System (UCP) covers or will soon cover most State employees. Separate systems exist for the Department of Highway and Transportation, the Department of Conservation and the Missouri State Highway Patrol. Each state university has its own system. Because of the unique nature of classification and funding of these latter groups, the Workforce Task Force does not recommend consolidation of all state employees into one pay system at the present time. However, lack of system uniformity should not prevent the state from adopting a **uniform and consistent plan** for improving the external and internal equity of all pay systems.

Problems: Lack of consistency in funding salary increases from year to year has resulted in the following **problems** for the State of Missouri:

1. The midpoint of the salary ranges for many state jobs lags behind market **competition** by as much as 15-20%, and approximately 72% of the workforce is below midpoint, creating **recruitment and retention** problems. This is especially acute in some communities and for some occupations.

2. Salary increases granted to employees in one pay system may or may not be granted to those in another, resulting in internal **inequity**, that is, different pay for the same job or the same pay for jobs that have different degrees of knowledge and skill. An inequitable salary environment adversely affects **productivity and morale**.

3. Failure to pay any increase in some years, payment of fixed dollar amounts at other times, and failure to generate within-grade increases result in **compression** of salaries so that newcomers and less experienced employees receive the same compensation as employees with more experience. The fixed dollar amount of increase has an added effect, that of compressing the ranges of jobs requiring more skill compared to those of less skill and responsibility. This inequity adversely affects **morale and retention**.

4. Similarly, the failure to recognize state employees with monetary increases has created a sense among many that performance does not matter and that advancement is unlikely in state employment. To promote a **high performance workforce**, employees whose work Exceeds Performance Expectations or whose work is Outstanding should receive extra monetary rewards, thereby improving **productivity** and encouraging co-workers to emulate that performance.

Rationale

Essential Elements of the Plan: Recommendation #6 has the potential to solve these problems by proposing the following compensation adjustments to be funded each year:

1. Adjust the entire salary classification grid and therefore the pay of **all** employees to begin addressing the **competitive gap**. *The first-year recommendation is 2-3%.* This is less than what will be needed over the long term, but budgetary constraints the first year make this necessary.

2. Gradually advance **all** employees with **successful or better performance** to the **midpoint** of the appropriate salary classification range (market benchmark value).

   In the first year begin advancing employees with a performance rating of "fully meets performance expectations" or better, who are below the midpoint, in accordance with a predetermined schedule based on ***experience within grade*** *as follows:*

   (a) 1 step for employees with 2-4 years of service,
   (b) 2 steps for employees with 5-7 years of service (not to exceed the midpoint), and
   (c) 3 steps for employees with more than 7 years of service (not to exceed the midpoint).

   In succeeding years within-grade increases should be funded so employees who fully meet performance expectations can move one step each year until they reach midpoint. This plan will permit **all** such employees eventually to reach the midpoint **competitive market salary** for their classification in an orderly, consistent manner, thus addressing both **internal inequity and compression** problems as well as market competition.

3. Provide a one-step performance-based increase for employees currently at or above the midpoint, whose work Exceeds Performance Expectations or whose work is Outstanding, to further address the **compression** problem and to reward **exceptional performance**. Pay-for-performance should be determined through the performance appraisal process. Please refer to Topic Five for recommended improvements to this process.

4. Reposition salary ranges of certain jobs to address unusually serious market dislocation under the guidance of the Office of Administration and other appropriate bodies to maintain **external equity**, as has been done in the past.

General Advantages of the Plan:

1. Greater **productivity** and improved **morale**.

2. Less voluntary **turnover** and greater **retention** rate, resulting in lower training costs for new hires.

3. Opportunity for advanced **training** of experienced employees derived from savings on training new hires, resulting in greater **retention** of senior employees, greater **productivity**, and increased **customer (taxpayer) satisfaction**.

4. **Consistent** yearly salary **administration** plan to bring about improvement of employees' perception of the State of Missouri as a **good place to work**, aiding recruitment of a **high performance workforce**.

5. Enhancement of employee and applicant expectations about potential for salary **advancement**.

6. Elimination of flat dollar increases, reduction of pay **compression**, and greater internal pay **equity**.

Implementation

Costs: Cost estimates for the first year of implementation of the first three elements of Recommendation #6 range from $60 million (assuming a 2% general grid adjustment) to $77 million (for a 3% adjustment). This amounts to 3.6% - 4.6% of payroll, with a **general revenue** estimated outlay of $29-$37 million. In **succeeding** years the cost is likely to **decrease**, depending on the amount of general grid adjustment and step increases. These figures include a fringe benefit estimate of 18.1% but do not include an estimate for element 4, due to the uncertainty of cost projections for repositioning. Projected annual increases to general revenue should provide corresponding proportional annual increases in state employee salaries.

Savings: Obviously, salary increases in themselves cannot result in hard cash savings. But studies show that endeavors to make employee salaries more **competitive** and more **equitable**, both internally and externally, result in improved **productivity and morale**, reduced voluntary employee **turnover and training costs**, and are more likely to promote a **high performance workforce**, promoting greater **customer (taxpayer) satisfaction**.

Benefits Summary: This annual **positive reinforcement** includes the following elements:

1. It permits the entire salary grid to respond to **competitive** market increases.

2. It advances to the midpoint of the salary range those employees with **successful performance**.

3. It provides an opportunity for additional salary increases for employees at or above the midpoint whose work **exceeds performance expectations** and for employees with **outstanding performance**.

4. It eliminates flat dollar salary increases in favor of percentage increases, thus maintaining differences in pay commensurate with **real differences** in duties and responsibilities between classifications.

5. It provides for repositioning certain jobs in response to market **competitiveness**.

Legislation: For salary funding in Fiscal Year 1996, the target date for implementation of Recommendation #6, the appropriation process will begin about January 1995, and **appropriation bills** must be passed by May 1, 1995. Other than that, no special legislation is needed for adoption of Recommendation #6.

Appropriations: To be included in the **Governor's budget**, Recommendation #6 must be approved for implementation between September and December 1994, to meet budgetary deadlines. During this same period Senate and House leadership and appropriate Committee Chairs are to be consulted, as well as the Budget Director and Department Directors. They all need to be apprised of the mechanics of the plan and its effect on their various constituencies. If the plan is not approved before budgets are due back to OA Budget and Planning (October 1, 1994), **budget estimates** may need adjustment by the Division of Budget and Planning to get the plan included in the Governor's budget for Fiscal Year 1996 (January 1995).

Budgeting for Recommendation #6 may be **complicated** by the following conditions:

1. Agencies have not previously budgeted increases based on employee service in classification; therefore agency personnel and budgeting authorities will require considerable **explanation and training**.

2. Under the accelerated implementation of the Uniform Classification and Pay System affected agencies will not know the range and step assignments of their employees until after January 1, 1995. **Estimates** for these agencies must be developed.

Personnel Rules: Changes in pay rules and personnel policies and procedures may be necessary to **implement the essential elements** of Recommendation #6, namely, **accelerated advancement** based on service in classification in a department, **performance-based pay increases** for employees at or above midpoint, and control of **discretionary advancement** for employees above midpoint. Necessary changes must begin as soon as the appropriation bill is passed (May 1995) for the plan to be effective July 1, 1995.

Tracking of the performance increase component of this plan must be developed, tested and implemented by July 1, 1995. This is the responsibility of the Division of Personnel in conjunction with the Division of Accounting and the Division of Data Processing and Telecommunications.

In addition, the PARS payroll system must be modified and tested for **automation** of the first year within-grade increases. This is not likely to be a problem for Merit System agencies, but other UCP agencies may have to generate documents to provide pay increases for employees affected by within-grade increases based on length of service in class.

The Department of Highways and Transportation and the Department of Conservation require **Commission approval** for implementation of the plan, together with appropriate changes in their unique personnel policies and procedures.

<u>Communication Strategies</u>:

1. <u>Department Directors, Personnel Officers, Managers and Supervisors</u>: Training in the new salary plan should begin as soon as it is adopted by the Governor. This **training** will be **on-going**, especially for those responsible for responding to **employee concerns**, and will need the cooperation of the State Personnel Management Council.

2. <u>Legislature</u>: In view of some legislators stated discomfort with performance-based salary increases, it is especially important to obtain the **cooperation** of key legislators by explaining how the plan will affect their **constituents**. This should be done as soon as possible after the Governor adopts the plan, preferably in September or early October 1994.

3. <u>Employees</u>: Continuous communication of the plan through a variety of vehicles should be carried out; e.g., agency meetings, professional meetings, newsletters, conferences, beginning as soon as the plan is adopted. **Specific examples** of how the plan will affect individual employees should be developed; e.g., an employee below the midpoint, an employee at midpoint, an employee with 5 years of service in grade in a department, an employee at the top of the salary range. Examples should also be generated for non-Merit System agencies.

   Employees should be kept informed about the plan's **progress** involving all four elements: (1) the general increase, (2) step increases to midpoint based on experience, (3) step increases for employees at or above midpoint based on work that exceeds performance expectations or outstanding performance and (4) repositioning.

4. <u>Labor Unions</u>: Union representatives should receive communication similar to that given to employees. **Special training** for this task is necessary for the labor relations managers or personnel.

5. General Public: Newspapers, radio stations, TV stations, and talk shows should be encouraged to cooperate in supporting this plan. Emphasis should be placed on performance-based increases, and the effect on productivity and morale among state employees to enhance **customer (taxpayer) service**.

Systemic Changes Implied in Recommendation #6

After budget authorization for Fiscal Year 1996, some **central administrative agency** will be required to bring about consistent application utilizing all four elements of the plan each year. **Tracking and audits** of departments will be necessary to ensure that employees are receiving the necessary step increases based on service in grade in departments.

Departments must **monitor** discretionary salary advancements by developing a control mechanism. Advancement beyond midpoint must be **reserved** for exceptional performance for the plan to succeed, with **performance appraisal guidelines** for determination of who will receive these increases.

A policy must be developed to allow budgetary savings generated by improved efficiencies to be used for performance based salary increases. This policy should be proposed by the Governor and approved during the appropriations process.

Implementation Schedule
Topic 2 Recommendation #6

Establish a midpoint-based salary administration system that rewards employees for successful experience on the job until they reach the midpoint (market benchmark value) of the appropriate grade, and then rewards employees at or above the midpoint for work that exceeds performance expectations or for outstanding performance.

Action	Sep 94	Oct 94	Nov 94	Dec 94	Jan 95	Feb 95	Mar 95	Apr 95	May 95	Jun 95	Jul 95
Commission Report to Governor	◆										
Budgets Due to OA From Agencies	━										
Governor Considers/ Adopts	━	━	━	━							
Senate/House Leadership & Dept. Directors Consulted	━	━	━	━							
Governor Recommends Budget Including Adopted Plan					◆						
Appropriations Process					━	━	━	━			
Personnel & Payroll System Changes					━	━	━	━	━	━	
Communications:											
Department Directors	━	━	━	━	━	━	━	━	━	━	━
Personnel Officers, Managers, Supervisors					━	━	━	━	━	━	━
Legislature					━	━	━	━	━	━	━
Employees					━	━	━	━	━	━	━
Labor Unions					━	━	━	━	━	━	━
General Public					━	━	━	━	━	━	━
Performance Appraisal:											
Department Directives					━	━	━				
Training					━	━	━	━	━	━	━

Recommendation #7

Establish a cross-agency group to examine two specific compensation issues:

1. The **elimination of within-grade steps** and, if appropriate, the development of a work plan for implementation of such a system in a **pilot** group.

2. The modification to the current grid structure to address the variance in competitiveness of salaries among job groups.

Background

The UCP System has 15 steps within each grade, and the steps are approximately 2% apart. The Department of Highways and Transportation has 7-8 steps within each grade that are approximately 4.5% apart. Under the current structure and legislation, **steps are mandated**, and employees must be "on step," that is, their salaries must correspond to the dollar amount represented by a step.

This system causes two **problems**:

1. Whenever there is a general structural adjustment, all employees must receive that amount of **increase to remain "on step."**

2. Whenever within-grade increases are appropriated, the legislature is obliged to fund them at 2%, 4%, or some other **multiple of 2%** (or arguably at 0).

These two conditions create a situation where it is cheaper and easier for legislators to approve **across-the-board** increases and **no within-grade** adjustment. Because of this, 45% of all state employees are in either step C or step E, regardless of their years of service, reinforcing the compression problem. In addition, 72% of state employees are below the midpoint of the range, which is the comparative market level. All of the problems enunciated under Recommendation #6 above, are exacerbated by these step restrictions.

Rationale

Because implementation of this recommendation requires **legislation** and hence would delay the possibility of improving the system in Fiscal Year 1996, the Workforce Task Force recommends that these two proposals be studied and possibly implemented through a **pilot program** to evaluate their potential for improving compensation policy and procedures. Without step restrictions, the legislature would be **free** annually to implement the elements of Recommendation #6 at any level that was commensurate with the projections of General Revenue, whether at 1%, 1 1/2%, 2%, or whatever. In addition, in granting in-grade increases, managers would be **free** to adjust the level to any amount that corresponded to budgetary projections.

The pilot program, if implemented, could point up the difficulties of administration and make recommendations for their solution. In any event, because of the potential for **improving internal equity** of the rate structure and reacting to market forces, a new method of pay adjustment within ranges should be studied. Pilot groups should initially come from a non-UCP agency to avoid statutory changes where necessary.

Although the system does have some disadvantages related mainly to lack of **forecasting** ability and **consistency** among departments, guidelines promulgated by the Division of Personnel, and rules of the Personnel Advisory Board, could alleviate any disparities.

Market sensitivity varies among jobs, and the existing pay grid system does not allow timely adjustments of pay scales to reflect market demand for personnel in highly market-sensitive jobs. Consequently, these jobs can be susceptible to aberrant rates of turnover and numbers of qualified applicants. Modifications to the grid system should be considered to enable the state to be at least as competitive with other employers for these jobs as for those that are less market sensitive.

Implementation

The cross-agency group proposed for implementation of this study should consist of personnel directors who comprise the State Personnel Management Council, as well as a compensation specialist or consultant, and employee representation. This should involve no additional expense for meetings and development of recommendations because state employees would be on loan from their respective assignments. If an outside consultant was deemed necessary or desirable, supplemental funds could be sought.

This cross-agency group should be convened as soon as possible so recommendations can be incorporated into the FY 1997 budget cycle.

Topic Three

The examination of health care programs for state employees, in terms of overall philosophy, equity of programs, cost effectiveness, and value to the State.

Recommendation #8
Review and modify existing health benefit plans, measured against a set of common principles and policies of managed care that would apply to all plans.

Recommendation #9
Adopt a common philosophy for the State's contribution to employee health premiums under all plans. Recommend the State adopt an 80% State and 20% employee cost share ratio. Require each employee, even for "Employee Only" coverage, to pay a portion of the premium.

Recommendation #10
Maximize participation by employees in the Section 125 Flexible Spending Account (FSA) for health care benefits.

Recommendation #8

Review and modify existing health benefit plans, measured against a set of common principles and policies of managed care that would apply to all plans.

Background

There are four different health plans covering employees in the executive branch of state government. The largest is the Missouri Consolidated Health Care Plan which is a self-insured, self-administered fee-for-service plan. The Department of Highways and Transportation, Division of Employment Security and the Department of Conservation each have separate fee-for-service plans administered and/or insured by private carriers. Also, HMOs are available under two of these plans. The University of Missouri also has its own comprehensive managed care program which combines POS, HMO, and catastrophic indemnity options.

The benefits, deductibles and co-payments, out-of-pocket maximums, and premium levels differ somewhat among the plans. Except for the University of Missouri and HMOs, there is little managed care in the other state plans.

The Missouri Consolidated Health Care Plan currently has a Request For Proposal out for response regarding modification and/or expansion of benefits.

Rationale

Implementation of managed care practices in these plans will restrain cost for the state as well as provide excellent care for employees.

Implementation

The State should contract for a study to recommend:

- a range of benefit options and corresponding rate structures to meet various employee/family health and financing preferences;
- incentives that encourage covered individuals to make responsible choices relative to their health and health care;
- proactive programs which enhance education, preventive medicine, and wellness among employees and their families;
- application of managed care concepts and techniques that focus on quality and outcome measurement, coordinated care, and initiatives that significantly improve the health status and effective utilization of the health care system among those at greatest risk for high consumption of medical resources; and
- ongoing competition in both medical management and administration.

Health care plans would be changed as a result of this study. The study will likely cost in the $100,000 to $200,000 range. Implementation should well exceed costs expended on the study. For example, the University of Missouri implemented a comprehensive

managed care program this year that has already saved $5.5 million (seven months experience) from a projected total cost of $40 million. The University of Missouri employees also experienced savings from implementation of a new health care program.

The Division of Personnel would be responsible for developing a Request For Proposal (RFP) and award a consulting contract to assess these plans and make specific recommendations for implementation of various managed care practices. The RFP issuance and study should be conducted in FY95 and implementation should begin in FY96. Additionally, the Division of Personnel on a quarterly basis should convene a meeting of the Administrators of all the health care plans including the University of Missouri to discuss experience in delivery of health care services and financing arrangements.

Recommendation #9

Adopt a common philosophy for the State's contribution to employee health premiums under all plans. Recommend the State adopt an 80% State and 20% employee cost share ratio for some basic health package. Other, more costly packages might require a higher percentage of employee pay. Require each employee, even for "Employee Only" coverage, to pay a portion of the premium.

Background

The State is contributing different amounts to employee health programs in the many different plans. The Missouri Consolidated Health Care Plan (MCHCP) and the Department of Highway and Transportation Health Care Plan provide free (no employee premium payment) health care plan coverage to certain members.

Under MCHCP this free coverage is for employee only enrollees if they elect HMO coverage or there is no HMO coverage in the area in which they live. Under the Highway plan, all employees, member only or employee and family, have the employee portion provided at no cost.

Rationale

Due to the escalation in health care costs, most private sector firms have either capped their costs for health care or established a shared ratio between the employer and employee. Thus, the magnitude of health care escalation becomes better known to employees and they better appreciate the employer's costs. Establishing a common contribution level will reduce some inequities and focus attention on the differences in the value of competing plans. If all employees pay a portion of the plan premium, the value and cost of the plan become better understood and appreciated. The most common cost share among employers is 80% employer and 20% employee. When employee out-of-pocket expenses are considered in the cost, the 80/20 generally produced a 60/40 overall cost share.

Implementation

A legislative resolution of intent should be passed to formally establish this policy for the State of Missouri. Health care administrative policy changes would be necessary to implement this cost share arrangement. The savings alone in requiring premiums for "Single Only" would result in a cost savings of approximately $14 million. This figure is based on the following calculations:

> The estimated amount if all members currently participating in MCHCP and Highway Department and Highway Patrol who have medical coverage with no costs incurred would be required to pay a premium.‡

Implementation cannot be designed without considering total compensation issues. Some State salaries are very meager and the additional cost of health insurance could be a significant cost. The Commission on State Employees' Salaries and Benefits should recommend in FY95 an implementation plan for FY96, perhaps including a sliding scale for employee contribution based on salary.

A legislative resolution of the intent should be enacted during FY96 to establish the common philosophy. The Office of Administration should develop that philosophy and the appropriate percentage that "Employee Only" and family plan coverage which should be shared by employees.

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‡ MCHCP currently have 21,007 members who do not pay premiums - 21,007 x $480 ($40 x 12) = $10,083,360.00. This figure is based on what MCHCP individual members ($40 per month) are currently paying if a premium is required. Highway Department and Highway Patrol have 8,192 members who do not pay premiums - 8,192 x $480 ($40 x 12) = $3,932,160.00. Individual members regardless of what options selected (Employee or Employee and Family) make no contribution to medical plan for themselves. This figure is based on members enrolled in medical coverage and the $40 monthly fee charged for MCHCP members only.

Recommendation #10

Maximize participation by employees in the Section 125 Flexible Spending Account (FSA) for health care benefits.

Background

The State of Missouri currently offers an opportunity to state employees to reduce their pretax dollars by enrolling in the state cafeteria plan. Not all employees who have medical benefit payments taken from their payrolls avail themselves of this benefit.

Rationale

By enrolling all state employees for participation in the Section 125 FSA except for those electing to waive participation, the total dollars available to state employees for spending will increase and the state's contribution to social security will decrease.

Implementation

The recommendation would enroll all state employees who pay into the medical plan in the FSA. Statutory change or clarification of intent may be required to implement. Those who do not want to participate will be able to waive enrollment. However, once the form is completed the employee does not have to complete any other additional paperwork for this component of the cafeteria plan. The reduction is handled automatically by the state payroll system. There is a small administrative fee associated with the contractor who manages the cafeteria plan. This fee could be negated by one of four methods:

1. Individual state employees would be required to sign a waiver indicating that they do not want to participate, as opposed to current requirement where they must affirm they desire to participate;

2. When redrafting the new contract for cafeteria plan services, require that this component not have an administrative fee;

3. Require that state employee be responsible for the administrative fee; the cost of the administrative fee should be offset by the tax benefits made available to the state employee; and

4. The state could pick up the administrative fee as a result of savings associated with reduced payments for social security benefits.

Each state unit of government that participates in the cafeteria plan would be responsible for implementation. The initial inclusion of an employee will be at the time of employment and then annually thereafter. . This proposal could be implemented in FY96 either by passing authorization legislation during the upcoming legislative session or by the promulgation of rules/regulations.

A communication package should be developed to demonstrate to each employee what the impact would be to his/her paycheck as a result of participation in the Section 125 FSA.

Topic Four

The examination of retirement programs for state employees, in terms of overall philosophy, equity of programs, cost effectiveness, and value to the State.

Recommendation #11
Develop and implement a common philosophy and policy statement for all State employee retirement plans that establishes targets for replacement of gross income at retirement.

Recommendation #12
For future vesting employees, replace yearly automatic cost of living increases in retirement benefits with annual review and examination of alternatives for making inflation adjustments.

Recommendation #13
Eliminate retroactivity features when retirement legislation is enacted.

Recommendation #14
Develop and require collaboration by MOSERS, HEHPRS, University of Missouri, PSRS and the LAGERS **for the funding, administration, investment management and purchase of services for these systems.**

Recommendation #15
Establish minimum investment expertise (experience and educational) requirements for individuals acting in executive director and assistant executive director capacity with State retirement systems and in a portion of Board members. Pay staff positions commensurate with this expertise.

Attachment 1	Section 125 Flexible Spending Account
Attachment 2	Retirement at Age 65

Recommendation #11
Develop and implement a common philosophy and policy statement for all State employee retirement plans that establishes targets for replacement of gross income at retirement.

Background
There are 112 separate retirement plans for public employees. The three major State plans include MOSERS (Missouri State Employees Retirement System); HEHPRS (Highway and Highway Patrol Employees Retirement System); and the University of Missouri System. The two major public employee plans are LAGERS (Local Government Employees Retirement System); and the PSRS (Public School Retirement System). Within the three State plans there is wide variation in the contribution level the State pays as a percent of payroll, ranging from the 5.9% for the University of Missouri system to 58.83% for the non-funded judges system within MOSERS. Retirement benefit formulae range from years of service multipliers of 1.5% to 2.13%, with variations in calculation of final average salary, normal and early retirement, and benefit options. Employees have had access to a tax-deferred savings plan but without a State matching contribution. 1994 legislation provided for a State match of up to $25 monthly per employee.

Rationale
The task force recommends 75% replacement (assuming competitive pay) at age 65 and 30 years of service through a combination of defined benefit, social security and defined contribution programs. Such targets give a basis for equitable decision making within the plans and helps employees understand, take ownership of and plan for their own retirement needs. Most employers who offer tax-deferred savings plans make matches of 50% to 100% of employee savings, up to a maximum of 3% to 6% of salary. This serves to incent employees to participate more in the plan, reduce the pressure for funding expensive defined benefit plans and provide portability for that portion of the retirement benefit.

Implementation
These common principles should be established through a legislative resolution. Retirement plan changes to meet the 75% replacement would be accomplished over the next 10 to 15 years as a more progressive defined contribution plan with matching State funds can be implemented. The State should fully fund for the maximum $25 match enacted this year for the tax-deferred savings plan and defer any other retirement plan changes.

The Division of Personnel working in coordination with the total Compensation Board should prepare an analysis of the plan changes appropriate to meet these common principles, establish a schedule for implementation of such changes so as not to disrupt employees nearing retirement, and develop the legislative proposals for the individual plan

changes. There should be some cost savings over time because the current replacement by MOSERS and social security is 92% (based on average state salary of $20,667, see attachment 2); however, the recommended 75% assumes competitive salaries so the base salaries to be factored at 75% should be higher than they are today.

The development of the legislative resolution for the three-tiered retirement program (social security, defined benefit and defined contribution) with a 75% replacement should be developed by the third quarter of FY95 and the Division of Personnel should develop a schedule for implementation of the three-tiered target over the next 10 to 15 years should be developed early in FY96.

Recommendation #12

For future vesting employees, replace yearly automatic cost of living increases in retirement benefits with annual review and examination of alternatives for making inflation adjustments.

Background

Based on information obtained, it appears that the current minimum 4% annual increase provided to retirees was legislated during a period when there was double digit inflation. The legislation that was passed established a floor and ceiling that could not be exceeded. In recent years inflation has been substantially less and as a result, the minimum or floor 4% has exceeded cost of living increases and it has far exceeded the increases that active employees have received. In order for retirees to receive the annual increase, they have been established as consultants to the state so that they will remain "active" for state benefit purposes. The procedure is questionable.

Rationale

The intent of this recommendation is to effect this change for future vesting employees. It is highly unlikely that existing retirees or currently vested employees would be affected by this recommendation. Elimination of this automatic increase has a potential of reducing state expenses, particularly at the current rate of inflation.

Implementation

This recommendation will require a change in legislation. We would fully expect that it will be met by strong resistance by retiree groups unless it is made prospective, that is, affecting only future vesting employees. It is recommended that this legislation be proposed in the Governor's package during the legislative session beginnining in January 1995.

Implementing this recommendation on a prospective basis will reduce potential resistance that can be expected from the current retirees and/or individuals currently within the state system. For the long range future for the state of Missouri the recommended course of action may produce a cost savings to the state of Missouri. It will be very important to assure the appropriate executive and legislative financial policymakers are well versed and attuned to the intent of this legislation.

Recommendation #13
Eliminate retroactivity features when retirement legislation is enacted.

Background
Legislated benefit formula increases (for example, 1.5% to 1.6% times years of service) are retroactively applied to service time for current and retired employees. In order to comply with a constitutional requirement regarding payment for services performed, in the 1980s during the high inflation era, the State awarded Special Consultant status to all retirees in order to increase their retirement benefit to compensate for their lost earning power. As Special Consultants they are now considered under retirement legislation to be entitled to increased benefit formulae retroactively for their years of service as active employees. The resulting increased benefit for retirees may well overcompensate them for lost buying power since the benefit formulae improvements are designed to assure active employees of an adequate retirement benefit.

Rationale
The State should discontinue this expensive and administratively burdensome practice when all retirees' benefits are recalculated. For example, 1994's retirement legislation is estimated to cost the State <u>$10 million</u> for this reason.

Implementation
A legislative change is necessary to eliminate this practice. The State would have saved <u>$10 million</u> annually if HR 1149 was not enacted. Additionally, the State will save each time a benefit formula improvement is passed by the legislature. The Office of Administration should prepare the legislative proposal to eliminate this practice. The legislative proposal should be prepared and submitted during the 2nd quarter of FY95. The Commission on State Employees' Salaries and Benefits should annually review the erosion of buying power for retirees due to inflation and propose any ad hoc adjustment as necessary to protect their buying power within the fiscal limits of the State.

Recommendation #14

Develop and require collaboration by MOSERS, HEHPRS, University of Missouri, PSRS and the LAGERS **for the funding, administration, investment management and purchase of services for these systems.**

Background

The State of Missouri has numerous retirement systems in place. Each has its own set of funding and investment guidelines, administrative systems, investment structure and service providers in place. Further, numerous board members oversee these retirement systems, collectively. This can result in numerous inefficiencies and costs to state dollars. (Examples of total dollars spent on service providers and inefficient asset mix.)

Rationale

Collaboration among the system directors on funding and investment philosophy, development of investment structure and administrative systems and for the purchase of service providers can enhance the financial status and investment returns net of expenses of these plans. This will be achieved through thoughtful, collaborative planning by numerous investment experts and through service provider fee reductions achieved through economies of scale.

Implementation

Minor statutory change may be required in order to mandate such collaboration. Steps required to achieve such collaboration are straightforward and should be taken to implement immediately, within Fiscal 1995. They are as follows:

1. Retirement system directors should meet to develop a collaborative plan toward developing a common philosophy statement on funding goals, investment philosophy, investment structure, and administration. This plan should also put forth a plan toward collaboration on use of service providers so that the state can use total retirement system dollars when purchasing actuarial, investment, custodial, administrative and data processing services.

2. Once collaboration framework is established, the State should rebid contracts in place with service providers.

3. Statute changes should be made so that overlap in retirement system boards is mandated. This has the benefit of enhancing collaboration by the systems.

4. Formal reporting mechanisms should be established to ensure and enhance ongoing collaboration among the system directors and board members.

5. Formal reporting mechanism should be put in place between this collaborative effort and the newly formed Commission on Employees' Salaries and Benefits.

Recommendation #15
Establish minimum investment expertise (experience and educational) requirements for individuals acting in executive director and assistant executive director capacities with State retirement systems and in a portion of Board members. Pay staff positions commensurate with this expertise.

Background
The State of Missouri has numerous retirement systems in place with numerous board members and staff positions; all of these persons have substantial oversight responsibility for the State's retirement assets and can have significant impact on the investment and financial results of these plans. To the extent these persons are not highly skilled in the areas of investment and financial management of retirement systems the plans may not be effectively managed. A one-half percent improvement in aggregate return on estimated $13.5 billion in State retirement assets would result in $67.5 million in additional dollars annually.

Rationale
Establishment of minimum educational and experience guidelines combined with a recognition by Board members and the State that highly trained professionals in the areas of investment and financial management of retirement systems can significantly impact financial results and implementation will lead to improved financial outcomes for the State's retirement systems. Recognition that these highly trained finance professionals need to be paid accordingly and competitively to recruit and retain them will also enhance future performance.

Implementation
Minor statutory change may be required in order to establish minimum investment experience and educational requirements for staff positions and Board membership. Steps required to achieve implementation are straightforward and requirements should be put in place immediately. Once the requirements are established the staff currently in place at the various retirement systems should be reviewed to determine whether they meet requirements. Implementation should be handled prospectively as these positions become available for hiring and as Board members come up for appointment. Steps for implementation are as follows:

1. Board members of the various systems should establish and propose investment experience and educational requirements for both staff and Board membership. They could review with their external service providers requirements for staff in order to obtain valuable input.

2. With professional input, Board members should conduct a salary and benefits review to determine a competitive package for these positions, given the

requirements and expectations of the jobs. Boards may want to consider a base pay system with a pay for performance component (bonus based on results).

3. Boards should review personnel currently in place to determine whether the new requirements are met with existing personnel.

Attachment 1

Section 125 Flexible Spending Account (FSA)

Currently Participating in FSA with Medical Insurance Deduction	15,033
Yearly Medical Insurance Deduction	$20,288,616.00
Not Currently Participating in the FSA but had Medical Insurance Deduction	11,349
Amount of Yearly Medical Insurance Deduction not Being Deducted (729,080 x 12)	$8,748.960.00*

* The State of Missouri would realize savings of $669,295.44 if the state employees who currently have medical deductions but are not utilizing the FSA were to take advantage of the tax savings offered by the FSA.

($8,748,960.00 x 7.65% = $669,295.44)

Attachment 2

Retirement at Age 65
30 Years of Service[1]

Average Salary	Monthly Retirement Benefit	% of Salary	Social Security at age 65	% of Salary	Total Benefits	% of Salary
15,000	7,200	48%	7,848[2]	52%	15,048	100%
20,664	9,919	48%	9,024[3]	43%	18,942	92%
30,000	14,400	48%	11,976[4]	40%	26,376	88%

1 Multiplier used is 1.6.
Social Security benefits are estimated.
Retirement benefits are based on MOSERS Retirement formula.
Salary used to calculate retirement benefit based on the average of the highest thirty-six consecutive months' salary.

2 This figure was calculated using regression analysis and was not provided by the Social Security Administration.

3 This figure based on a current salary of $20,000 per Social Security Administration pamphlet.

4 This figure is based on a current salary of $30,000 per Social Security Administration pamphlet.

Topic Five

Improved systems of pay-for-performance in State government.

Recommendation #16
Establish a Performance Appraisal System that incorporates agency goals, including customer satisfaction, diversity, management/supervisory leadership, professional and personal development and supports salary increases based on performance.

Recommendation #16
Establish a Performance Appraisal System that incorporates agency goals, including customer satisfaction, diversity, management/supervisory leadership, professional and personal development and supports salary increases based on performance.

Background
The current appraisal process lacks credibility. Employee feedback indicated that the process is meaningless and not taken seriously because the ratings are perceived as being based on subjective data and typically inflated. Some legislators expressed discomfort with management's ability to measure employees objectively and fairly. Many employees surveyed shared this view. Feedback from managers also indicated performance appraisals have little meaning because merit increase dollars have not been appropriated. Currently, managers are seldom rated on whether they have given effective performance appraisals to their employees.

A preliminary survey indicates annual costs in excess of $13 million with regard to issues associated with excessive voluntary turnover. Attachment 3 at the end of this topic describes the survey methodology. Primary factors include:

- lack of appropriated funds for merit increases on a regular basis,
- ineffective performance appraisal process, and
- lack of career planning and professional development.

Rationale
The performance appraisal process would become more meaningful and equitable by including measurable performance objectives and standards for each rating category. Employees should be involved in developing performance expectations and defining performance objectives. This is delineated in the current Employee Performance Planning and Appraisal System.

Appropriate employees should be held accountable for customer satisfaction, diversity, management/supervisory leadership and effectiveness, agency goals and other work objectives. Additional benefits include the potential for a more positive work climate, a more objective appraisal process and ratings more indicative of actual performance. Decisions for pay increases can be based on measurable objectives and performance, provided funds are appropriated for this purpose.

The Task Force recommends several changes to the current process.

1. Define measurable performance objectives for each rating category.

2. Establish clear definitions and greater differentiation among performance rating categories making the attainment of outstanding ratings more reflective of truly outstanding performance.

3. Revise the performance appraisal form to reflect the following categories:
   Outstanding Performance - Consistently exceeds established goals, job responsibilities and special assignments. (Approximately 5% of employees.)

   Exceeds Performance Expectations - Frequently exceeds established goals, job responsibilities and special assignments. (Approximately 15% of employees.)

   Fully Meets Performance Expectations - Consistently meets and sometimes exceeds established goals, job responsibilities and special assignments. (Approximately 65% of employees.)

   Performance Requires Improvement - Performance sometimes meets established goals, job responsibilities and special assignments. (Approximately 15% of employees.)

   Note: The approximate percentages are guidelines.

Implementation

1. Department heads should ultimately be held responsible for the implementation of the appraisal process within their agencies and ensure that appropriate supervisors and managers attend training on performance appraisals. The Office of Administration, Division of Personnel should coordinate the revision of the appraisal form and training of appropriate employees in state government. There should be minimum costs to the State. Some potential costs may be involved in developing the training package and training employees to effectively administer appraisals, but these costs should be more than offset by the reduction in losses that should occur by eliminating excessive turnover over time.

   A suggested timeline for implementation is as follows:

Establish agency goals.	6 Weeks
Incorporate agency goals into employee performance objectives.	4 Weeks
Revise performance appraisal form.	6 Weeks
Develop training package and do a test trial.	6 Weeks
Train appropriate management in giving effective appraisals.	6 Months
Monitor the appraisal process to ensure effectiveness.	Continuously

2. Establish a marketing/communication plan that apprises employees of the changes in the appraisal process and the rationale for the changes.

3. Inform managers/supervisors that they are accountable for the ratings they give to their subordinates.

4. Gather data at the end of each rating period, distribute to division heads to show the spread and distribution of ratings. Checks and balances should ensure equity and the integrity of the process.

Implementation Schedule
Recommendation #16

Establish a Performance Appraisal System that incorporates agency goals, including customer satisfaction, diversity, management/supervisory leadership, professional and personal development and supports salary increases based on performance.

Action Required	By Whom	Start Date	End Date
1. Develop marketing plan	Department Directors	October 1994	October 1994
2. Establish measurable goals and objectives; identify standards/performance criteria	Department Directors	September 1994	October 1994
3. Investigate existing training packages, appraisal forms and resources	OA/Division of Personnel	September 1994	September 1994
4. Develop training package, test package, make necessary revisions	OA/Division of Personnel	September 1994	October 1994
5. Train employees, follow-up and evaluate	OA/Division of Personnel	October 1994	April 1995
6. Monitor the appraisal process to ensure effectiveness	Department Directors	January 1995	On-going

Attachment 3

Estimate of Replacement Costs Due To Excessive Voluntary Resignations

Data on voluntary resignations from 1993 was obtained from fifteen of sixteen executive branch departments indicating rates varying from 1.6% to 22.3%. The weighted average voluntary turnover rate for the three departments with the lowest rates (Highway & Transportation, Labor & Industrial Relations, and Conservation) was 2.1%. This amount of voluntary turnover could be expected regardless of ideal working conditions and compensation.

The weighted average voluntary turnover for the other twelve departments (one department did not report data) was 9.3%. If a department could expect 2.1% turnover with ideal conditions, then the excessive voluntary quit rate for the departments with the higher rates could be estimated at 7.2%.

Departments were asked to calculate the cost of replacing exempt and non-exempt employees to include recruitment costs, cost of supervisor's training time, and cost of new employee's non-productive time. This information is subjective and difficult to calculate, but twelve of the sixteen departments responded with separate calculations for the exempt and non-exempt voluntary resignations in 1993. Based on a weighted average, the cost to replace an employee was estimated at $4,575.

Applying this cost to the excessive voluntary turnover rate, the annual cost to replace state employees who resign is estimated to be in excess of $13 million.

Topic Six

The development of philosophies and strategies to effectively employ, at all levels of its workforce, both genders and the full range of ethnic groups as reflected in the population of the State.

Recommendation #17
Include a recruitment strategy as part of each state agency's active affirmative action plan.

Recommendation #18
Analyze the state selection and hiring process to determine if there are biases, exclusionary practices or preferential treatment. Validate screening, interviewing and testing procedures.

Recommendation #19
Ensure widespread use of the job posting system to notify employees of promotional opportunities.

Recommendation #20
Mandate effective diversity training for all state employees, beginning with management.

Recommendation #21
Include accountability for meeting departmental affirmative action goals in each supervisor's and manager's performance appraisal. Include accountability for recruitment of minorities and females in each recruiter's performance appraisal.

Recommendation #22
Develop an annual report format that the State EEO Officer can use to report the results of each Department Director's performance in meeting his or her affirmative action plan goals to the Governor and the Commissioner, Office of Administration. The format should reflect clear goals and objectives that each department has established at the beginning of each annual evaluation period.

Recommendation #23
Ensure that the State EEO Office has sufficient resources to successfully fulfill the responsibilities of that office, including staff, software, resource materials and space.

Recommendation #17

Include a recruitment strategy as part of each state agency's active affirmative action plan.

Background

The population of Missouri includes 13% people of color and 51.8% females. Missouri state government includes 13.5% people of color and 58% females. However, upper level positions (those in excess of $40,000 per annum) include 5.8% people of color and 15.9% females.

Rationale

A recruitment strategy should be implemented to increase the number of people of color and females at all levels of the workforce. The result will be a workforce that is representative of the composition of the state's population.

Implementation

1. Executive Order 94-03 provides for a state Equal Employment Opportunity (EEO) officer to oversee each department's implementation of an affirmative action plan. The order allows for the addition of a recruiter to the state EEO office in Fiscal Year 1995 who will assist agency recruiters in bringing people of color and females into state jobs. This recruiter should be in the state EEO office by August 15, 1994.

2. Because agency recruitment will be done by current employees, the cost of implementation should be minimal.

3. Each department director is responsible for submitting an annual affirmative action plan to the state EEO office commencing August 15, 1994.

4. Within each department, all supervisors and managers should be held accountable for the recruitment and promotion of minorities and females.

5. Management must create a work environment that is inclusive; accountability should be evaluated annually on performance appraisals.

6. Departments should utilize internship programs that will provide opportunities for minority and female job candidates to transition into permanent positions with the State.

7. Quarterly, for the first year, and semi-annually thereafter, the state EEO officer will monitor each department's progress in meeting its affirmative action plan.

8. Productive working relations should be established with female and ethnocentric resource groups that can assist in recruitment efforts.

Implementation Schedule
Recommendation #17

Include a recruitment strategy as part of each state agency's active affirmative action plan.

Action Required	By Whom	Start Date	End Date
1. Hire recruiter in state EEO office	Office of Admin.	Immediately	August 1994
2. Submit annual affirmative action plan	All Executive Departments	Immediately	August 1994
3. Monitor each department's progress in meeting affirmative action plan	State EEO Officer	August 94 (Quarterly)	On-going (Semi-annually)
4. Evaluate diversity efforts in managers performance appraisals	All Departments, Managers, Supervisors	Immediately	On-going
5. Utilize internship programs to recruit minorities and females into permanent positions in State employment	All Executive Departments	Immediately	On-going
6. Establish productive working relations with female and ethnocentric resource groups to assist in recruitment	All Executive Departments	Immediately	On-going

Recommendation #18
Analyze the state selection and hiring process to determine if there are biases, exclusionary practices or preferential treatment. Validate screening, interviewing and testing procedures.

Background
Focus groups reported concerns that parts of the selection and hiring process exclude or are biased against people of color and females. Members of employee panels cited questions that were subjective in nature but were used as a part of the testing process. Complaints were that selection is restricted to the top ten available candidates on the register. This restrictive process denies other qualified candidates including minorities and females opportunities for consideration.

Due to the low number of females and people of color in upper level positions, applicants must often sit before an interviewing board composed totally of majority employees. People of color expressed a concern that information on successfully maneuvering through the merit selection process is not freely shared with them while majority applicants are often guided through the process by other majority employees.

Rationale
Removal of discriminatory, exclusionary and preferential practices will assist the state in achieving a more diverse workforce.

Implementation
1. The Office of Administration, Division of Personnel should ensure all testing procedures are validated. This process will ensure the removal of all biased elements. The validating process can be lengthy and expensive. The estimated time for this process is at least twelve months and the estimated cost would be in excess of $1,000,000. Despite these factors, it is imperative that it occur.

2. The ability to select qualified and available candidates for hire from the register must become less restrictive so that females and people of color can receive greater consideration. The certification process may need to be expanded for certain classes. For example, a listing of applicants by the quartile ranking of scores (top 25%, next 25%, etc.) with the flexibility to choose from all available applicants in a quartile. There should be no costs associated with this change. However, changes to the State Personnel Law should be considered if conducive to this process.

3. Departmental screening and interview boards should include females and people of color. To achieve this, departments may need to share resources from other departments until the makeup of each department's upper level positions become more

diverse. There are no added costs associated with this, however, management commitments need to be made to support this action.

6. Ensure that all applicants progress through the selection process with the same level of guidance and information.

Implementation Schedule
Recommendation #18

Analyze the state selection process to determine if there are biases and/or exclusionary practices or preferential treatment. Validate screening, interviewing and testing procedures.

Action Required	By Whom	Start Date	End Date
1. Validation of all testing procedures	OA/ Division. of Personnel	January 1995	June 1996
2. Expansion of the merit selection process so that a more diverse group of applicants can be considered for positions.	OA/ Division of Personnel	January 1995	May 1995
3. Change the makeup of selection and interview panels to include females and people of color.	Department Directors, Division Directors, Managers	Immediately	On-going
4. Ensure that all applicants progress through the selection process with the same level of information.	OA/ Division of Personnel, Department recruiters and hiring teams	Immediately	On-going

Recommendation #19

Ensure widespread use of the job posting system to notify employees of promotional opportunities.

Background

Currently some agencies within state government use job postings for many, if not all, available position openings. Others do not use posting at all. Females and people of color are under-utilized at professional and upper management levels.

Rationale

Hiring from within boosts morale and improves management/employee relationships. Opportunities for upward mobility for females and people of color shall be improved by publication of job postings. This will aid in retaining qualified employees.

Implementation

All state agencies should be required to post available positions to current employees prior to seeking outside staffing personnel. Implementation requires minimal time at no increase to budget.

Implementation Schedule
Recommendation #19

Ensure widespread use of the job posting system to notify employees of promotional opportunities.

Action Required	By Whom	Start Date	End Date
Post all job vacancies to current employees prior to seeking outside staffing personnel.	All Departments' Personnel Offices	Immediately	On-going

Recommendation #20

Mandate effective diversity training for all state employees, beginning with management.

Background

Issues have surfaced relative to limited opportunities for advancement, hostile work environments and the exclusion by, or inability/unwillingness of majority employees to accept individuals who are different.

Rationale

Diversity training will assist all personnel in appreciating and valuing individual differences; thus, creating a more positive work environment. Exposure to concepts that aid in accepting and valuing the differences of a multicultured workforce can help eliminate stereotypical thinking, hostility and apprehension of the unknown. This, in turn, can lead to increased productivity and team work in achieving the State's broader mission.

Implementation

1. Managers and staff trainers should be trained at facilitating and implementing diversity training which should be incorporated as part of management and staff training, rather than as a stand-alone program.

2. New hires should be required to attend training that incorporates diversity as a prerequisite to ending probationary status. Newly promoted managers and current employees should be required to attend training during an upcoming rating period which will be reflected on their next review.

3. The State EEO Officer should be used as a resource for planning and implementing internal and external diversity training programs.

There will be a minimal cost to the State and it will generate long-term equity.

Implementation Schedule
Recommendation #20

Mandate effective diversity training for all state employees, beginning with management.

Action Required	By Whom	Start Date	End Date
1. "Train the trainer" program on diversity will be developed.	OA/Division of Personnel, State EEO Officer	Sept 1994	Oct 1994
2. Managers and Staff Trainers will complete "Train the Trainer."	OA/Division of Personnel, State EEO Officer	Oct 1994	April 1995
3. Managers and staff trainers will train all staff in diversity	Department Personnel Officers	April 1995	March 1996
4. New employees will be required to complete diversity training within probationary period.	Department Personnel Officers	April 1995	On-going
5. Monitor department's diversity training module as part of semi-annual affirmative action plan.	State EEO Officer	April 1995	Ongoing

Recommendation #21

Include accountability for meeting departmental affirmative action goals in each supervisor's and manager's performance appraisal. Include accountability for recruitment of minorities and females in each recruiter's performance appraisal.

Background

From an EEO/AA perspective, there appears to be little accountability for managers to hire and retain women and minorities and for recruiters to recruit these groups for middle and upper level management positions in state government. Upper level positions; i.e., those in excess of $40,000 per annum, include 15.9% women and 5.8% people of color. Some agencies lack representation of people of color in upper management.

Rationale

Managers and recruiters will become accountable for their performance in EEO/AA. Benefits would include diversity of viewpoints that potentially contribute to the quality of work; state government becomes a role model for other institutions within the state; work climate would reflect the population in the external environment; utilization of skills and talents of all people; greater success in retaining current diverse workforce and in recruiting other minorities.

Implementation

1. Modify performance appraisal form to specifically call for evaluation on EEO/AA responsibilities.

Costs to state government would be minimal.

Implementation Schedule
Recommendation #21

Include accountability for meeting departmental affirmative action goals.

Action Required	By Whom	Start Date	End Date
1. Establish performance standards/criteria for appropriate managers and recruiters in each department.	Department Directors	September 1994	September 1994
2. Conduct performance appraisal sessions to give feedback.	Managers and Supervisors	January 1995	On-going

Recommendation #22
Develop an annual report format that the State EEO Officer can use to report the results of each Department Director's performance in meeting his or her affirmative action plan goals to the Governor and the Commissioner, Office of Administration. The format should reflect clear goals and objectives that each department has established at the beginning of each annual evaluation period.

Background
Currently, the Department Directors do not have clear guidance regarding what their goals and objectives in the affirmative action area are or should be. Also, the State EEO Officer has no vehicle or procedure to report each Department Director's performance with regard to his or her affirmative action plan.

Rationale
Merely requiring Department Directors to establish affirmative action plans without executive review is not sufficient to ensure that those departments will make progress in accordance with those plans. If each Department Director's performance is subject to review by the Governor and the OA Commissioner, there is a greater likelihood that the Department Directors will make best efforts to monitor and enforce the plans.

Implementation
1. Establish independent Department goals and objectives for the first annual reporting period to be discussed with and agreed to by each Department Director.

2. Develop a reporting format that will enable the Department Directors to be evaluated and compared to each other based upon sound objective criteria and certain subjective criteria (for instance, to explain possible valid reasons or obstacles that prevented compliance in particular areas).

3. Review by Department Directors and Legal Counsel to the Governor prior to final issuance after the end of the first review period.

4. Establish a procedure for publishing the report subsequent to review by the Governor and the Commissioner.

Implementation Schedule
Recommendation #22

Develop an annual report format that the State EEO Officer can use to report the results of each Department Director's performance in meeting his or her affirmative action plan goals to the Governor and the Commissioner, Office of Administration. The format should reflect clear goals and objectives that each department has established at the beginning of each annual evaluation period.

Action Required	By Whom	Start Date	End Date
1. Develop reporting format	State EEO Officer	August 1994	Sept 1994
2. Review of report format by Governor and Department Directors	State EEO Officer	Sept 1994	Sept 1994
3. Establish goals and objectives for each Department Director	State EEO Officer	August 1994	Sept 1994
4. Obtain Department Directors' consent and agreement on goals established	State EEO Officer and Department Directors	Sept 1994	Sept 1994
5. Issue Annual Report (starting one year after process begins)	State EEO Officer	Sept 1995	On-going
6. Develop procedure for publishing annual report	State EEO Officer	Sept 1995	On-going
7. Publish Annual Report	State EEO Officer	Sept 1995	On-going

Recommendation #23

Ensure that the State EEO Office has sufficient resources to successfully fulfill the responsibilities of that office, including staff, software, resource materials and space.

Background

Prior to Executive Order 94-03 there was limited functioning of the State EEO Office. The current resources of this office continue to be limited. One of the priorities of this office is recruitment, yet it lacks a recruiter. The current EEO Office expressed difficulty in handling the current workload and needs of 16 state agencies and commissions with current resources.

Rationale

Implementation of this recommendation will provide the necessary resources to effectively comply with the Governor's Executive Order 94-03 and indicate the degree to which the Governor's Administration supports affirmative action and diversity as an integral part of the state's vision.

Implementation

1. Mechanism for implementation requires recommendation for budget allocation.

2. Potential costs include:

Staffing	Salaries	Fringes	Totals
Programmer Analyst	$25,000	$7,950	$32,950
Investigator/Trainer	$19,000	$6,042	$25,042
Student Interns (2)	$12,000	$3,816	$15,816

Additional Resources	
AAP Software/Modem	$ 5,000
Resource Material	$ 5,000
Office/Storage Space	$ 2,000
Printing of AAP	$ 5,000

TOTAL (over FY 95 allocation) **$90,808**

Attachment 4

There are three specific items being recommended by the Work Force Task Force that should be funded through the appropriations in FY 95. They are 1 FTE to staff the Commission (Topic 1, Recommendation 2) and 1 FTE to begin assisting the Affirmative Action Director in the Governor's Office (Topic 6, Recommendation 7). Both of these FTEs could be funded by releasing part of the 3% reserve of the Office of Administration. In addition, $200,000 will be needed from Expense and Equipment to support a study of the philosophy and equity of programs, cost effectiveness and value to the State of the various Health Care Programs (Topic 3, Recommendation 1). There may be some concern that funding these activities from existing personal services and Expense and Equipment may be inappropriate under the current budget structure because funds are allocated or appropriated for specific purposes. The same could be said of the resources currently dedicated by the state agencies for COMAP. By redirecting a small portion of the general revenue reserves, the Governor would have the opportunity to show how a more open budget process would allow the targeting of selected resources to high priority areas that offer potential major returns and efficiency in the delivery of services to Missouri citizens by state government.

It should be realized that some of these recommendations challenge existing methods of operation within Missouri State Government. A major initiative of the Commission on Management and Productivity is to break the paradigms that limit the abilities of managers to manage Missouri State Government in a manner that is prudent and in the best interest of our state. There are risks in pursuing the recommendations presented but they pale in comparison to the benefits that can be reaped for our state and the citizens we serve.